



# The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



Vol. XXXVII — No. 5

SERVING OVER 330,000 MEMBERS

November 2011

## “The Big Man” Has Been Leased

By David G. Bronner

**R**SA's massive \$560 million investment in a railcar plant in North Alabama has been leased to Navistar. The 2007-2010 building project was started just before the “Great Recession of 2008” by a Canadian railcar builder with only “short-term financing” provided by the RSA. When the world changed dramatically and new railcar sales dropped 90%, the Canadian headed for the border, leaving the RSA to pick up the pieces, including finishing the project.

The nearly mile-long and four-football-fields-wide facility is truly state of the art. Unfortunately, the industry is very cyclical due to railcars typically lasting for decades. The serious challenge we faced was how to take this special purpose real estate project into the future. If we were going to stay in the railcar business, an entire team of engineers, marketing, etc., would need to be assembled. It would have taken 10-15 years of intense management to successfully employ the estimated 1,800-2,000+ workers.

Navistar, a Fortune 500 company

based in Chicago we recruited to the Huntsville area over a decade ago, builds various types of trucks from long haul to cement and garbage trucks. In addition, Navistar provides military vehicles and about 60% of the school buses. They



will now have the ability to build railcars if they so decide. Navistar will take over the plant on or before January 1. Instead of the plant being a major employer in a decade, that goal can be reached in 18 months.

The 10-year lease will pay the RSA \$11 million the first year and \$19 million

per year for years 2-10. After 10 years, Navistar can purchase the plant for an additional \$300 million, or renew the lease for an additional 10 years at \$20 million per year. It is expected that Navistar will quickly expand the 700-acre site with an additional investment of \$70-100 million, and thus, according to the Alabama Development Office, create an additional 8,000+ jobs in the Shoals area in the near future.

Navistar is not a normal large company. During the “Great Recession” of 2008-09, they received national honors for keeping their Alabama employees employed in Huntsville with public service jobs during the period when other companies were sending employees home. Additionally, Navistar has been the major sponsor of the PGA Classic in Prattville the last five years, which they successfully used to promote their products.

Thanks for coming to Alabama, Navistar. You do and will represent the best of Alabama! ■

## Comparing Compensation

State-Local Versus Private Sector Workers

**W**ASHINGTON, DC – A new issue brief from the Center for State and Local Government Excellence, *Comparing Compensation: State-local Versus Private Sector Workers*, examines whether benefits close the wage gap between public and private sector workers. Their analysis found that the compensation of state-local and private sector workers is similar.

Written by Alicia H. Munnell, Jean-Pierre Aubry, Josh Hurwitz, and Laura Quinby of the Center for Retirement Research at Boston College, the brief's key findings are:

- State and local workers have a wage penalty of 9.5 percent.
- Pension contributions and retiree health insurance help close the gap.

- Total compensation for public sector workers is about 4 percent less than that in the private sector.

Read the full brief at <http://tinyurl.com/comparingcomp>.

The Center for State and Local Government Excellence helps state and local governments become more knowl-

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# Bronner & The Shoals

By Mike Goens, *TimesDaily*

It has been nearly 10 years since the Shoals was introduced to David Bronner.

Bronner is executive director of Retirement Systems of Alabama, an organization charged with investing and securing retirement funds for state employees and teachers. Several Alabama cities also tie their employees' retirement plans to RSA.

Bronner was asked to come to the Shoals and help find a way to make the defunct Renaissance Tower a success. Against the advice of some of his closest colleagues at RSA, Bronner developed an idea involving building a luxury hotel and two 18-hole courses on the famed Robert Trent Jones Golf Trail.

By the way, local governments would need to put up nearly \$18 million to participate in this tourism-enhancing project, while RSA was to invest \$70 million or so. RSA's portion was much more than that in the final analysis.

A 2-cent-per-gallon gasoline tax was proposed to meet the obligation of local governments. It was an idea that brought out hatred from many local residents who vowed to defeat any politician who dared to support the move. Some said they would drive to Tennessee or Franklin County before they would pay

a tax to build a golf course.

As you can see, it was hard for some to see the vision.

One Florence resident even made his rounds to government meetings to denounce the effort. He portrayed Bronner's character in his appearances, dressing like him, trying to talk like him and chewing on a cigar—a Bronner trademark. His message was that Bronner was taking our area for a ride and would walk away with our money.

Instead, Bronner has invested more than \$1 billion in the area. Most agree Wise Alloys would not be here today had he not invested in that operation and helped bring in contracts from Coca-Cola and Anheuser-Busch InBev. (*Editor's Note: Dr. Bronner says he was only a cheerleader in getting the contracts.*) The Shoals certainly wouldn't be a tourism destination that has attracted golfers from around the world and dozens of conventions annually. Also, we wouldn't have the railcar plant in western Colbert County.

Not that we needed another example to the contrary of what his critics say, we were shown again last week that forming a partnership with Bronner is quite possibly the best move our area has ever made on the economic front.

Fortune 500 company Navistar announced plans to lease the National Alabama railcar plant for at least 10 years. There's a promise of 2,200 jobs during the next four years. Muscle Shoals Mayor David Bradford called the announcement a game-changer for the Shoals. It's a point well made.

Obviously, the Shoals Economic Development Authority and others locally played a role in making this happen, but it would not have happened without Bronner. He personally worked on the project for 14 months. His relationships with the brass at Navistar were invaluable. He stayed the course, overcame obstacles from Montgomery and got it done.

It would have been easy for Bronner to walk away from the railcar plant and leave the mile-long facility there to rot. Thankfully, Bronner doesn't like to lose and doesn't like to do foolish things.

The Shoals will be the beneficiary of his efforts—hopefully for generations.

While we celebrate, chances are Bronner is preparing for his biggest fight. The Republican leadership in the state Legislature will be going after Bronner in 2012's legislative session. They want to wrestle away control of

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## GOP: WE'RE NOT AFTER BRONNER

By Robert Palmer, *TimesDaily*

News that the Shoals-based Public Park Authority will adopt a resolution praising and supporting the Retirement Systems of Alabama and its boss, David Bronner, got the attention of Republican leaders last week.

Earlier this year during the legislative session, bills were introduced by members of the new Republican majority that would have stripped Bronner of some of his considerable political influence. The bills would have altered the structure of the two governing boards that oversee \$28 billion in state employee and teacher retirement money.

But the bills had little support and failed to reach committees. Introduced by Rep. Phil Williams, R-Huntsville, and Sen. Del Marsh, R-Anniston, they would have given appointment power to the two boards that oversee the money to top lawmakers, all of whom are Republicans. Currently, the boards have members elected by teachers and employees,

as well as a few political appointments.

The mere existence of the bills, however, got the attention of Democrats, teachers and state workers who saw it as an attempt by the GOP to control the money.

An article in the *TimesDaily* last week about the resolution, which the park authority will ask the local legislative delegation to carry to Montgomery in 2012, prompted calls from two Republican lawmakers who were concerned that local leaders perceive another attempt to alter the RSA boards.

"I don't know where that's coming from," said state Rep. Lynn Greer, R-Rogersville. "I'm on the Republican Steering Committee, and I can assure you we are not out to get David Bronner."

Greer is the only elected Republican from the Shoals. Many of the Public Park Authority board members are Democrats.

A spokesman for House Speaker Mike Hubbard, R-Auburn, also called the *TimesDaily* to discuss the

article but efforts to get in touch with the spokesman were unsuccessful.

Bronner, who can be colorful and outspoken, has a high profile in the Shoals because of his investments in tourism and industrial development. Local officials say RSA has invested about \$1 billion in Colbert and Lauderdale counties in the past decade. The latest effort landed Navistar, which is taking over a railcar plant and will employ 2,200 people.

Greer said the bills that local officials were worried about aren't likely to be introduced again.

"The constitution says the Legislature can't use the retirement money," he said. "The Legislature modified the constitution when (former Gov.) George Wallace tried to get his hands on it years ago."

Greer also said Republicans now have a super majority in both houses, and the fact that the bills failed to reach a committee is significant.

"I am thankful for what Dr. Bronner has done in our community," he said. "It's been a win-win for us. I don't want to upset him."

Bronner himself seems unconcerned that Republicans will try to make changes to the governing committees again. He said Republicans were

# Alabama AG Disallows Overtime

By Dana Beyerle, *Tuscaloosa News*

**B**eginning Oct. 1, state and local government workers who are in the state Employees' Retirement System will no longer be able to use overtime and subsistence pay to boost future retirement pay.

State Comptroller Tom White advised state agency department heads last month that an advisory opinion from Attorney General Luther Strange says state law does not allow the use of "extraordinary payments" to calculate retirement benefits.

Danny Hester, the Alabama State Trooper Association's executive director, said the opinion threatens retirement

benefits of troopers, other law enforcement officers and firefighters. He said troopers want to work with Gov. Robert Bentley's office on a compromise.

...White sent a memo to department heads on Aug. 26 advising them not to make state retirement system contributions based on overtime or subsistence allowances.

State Personnel Director Jackie Graham said the opinion does not affect employees who have had overtime or subsistence allowances used to calculate retirement benefits. "This is only for merit system employees under the Employees' Retirement System," she said.

Graham said overtime pay last year amounted to about \$33 million, requiring about \$6.7 million in state contributions. Employees would have contributed a like amount. Subsistence payments were about \$2.2 million.

Marc Reynolds, deputy director of the Retirement Systems of Alabama, said the use of overtime and subsistence to calculate retirement has been an RSA policy in place since at least the 1970s. The AG opinion trumps the policy. "They won't get as much retirement," Reynolds said. ■

## Bronner & The Shoals

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RSA investments from Bronner in favor of political appointees they will name and control. Reading between the lines, the GOP leadership wants control of the retirement money—which is approaching \$30 billion. If they want \$20 million for Project A or \$114 million for Project B, they can raid the RSA kitty. We've seen Congress do the same thing with Social Security.

GOP leaders will tell you RSA's investments have not performed as well

as similar funds elsewhere. That may be true, but RSA is doing quite well in a difficult economy.

The group that is after Bronner was going to use the dramatically underperforming railcar plant investment against him. Sorry, that chip is no longer on the table.

These guys just don't seem to understand Bronner's strategy. He has a history of investing in improving Alabama. It may not always show up on a spread

sheet as a profit, but when the Shoals, the Wiregrass or any other area of the state improves, Alabama improves.

Bronner is indeed the state's best economic development resource. Those without an agenda can see that clearly.

Perhaps those with an agenda will try their hand at mocking Bronner, too. I know where they can buy a few cigars.

For the sake of Alabama, it's one agenda that does not need to succeed. ■

attempting to get at Paul Hubbert, president of the Alabama Education Association and — until Democrats lost power in the 2010 elections — one of the most powerful men in Alabama.

He said he has been assured by the Republican leadership that there won't be another push to alter the structure of the boards that oversee the retirement funds.

"I tried to tell them that if they want to get rid of someone, get rid of me, but not the boards," Bronner said.

The RSA investments have not yielded returns as great as some comparable pension funds in the past three years, which was cited as a reason to change the board structure. But Bronner said no one's pension fund has performed as well as would be expected after the Great Recession struck in 2008.

Bronner said there is not a big difference in performance of the top 5 percent and bottom 5 percent of pension funds.

"The average return for large pension funds in the past 20 years has been 8.25 percent," he said. "The top 5 percent earned 9.07 percent, and the bottom 5 percent was 7.52 percent. That's only a span of

about 1.5 percent between the top and the bottom.

"For us, the Teachers' Retirement System's gains were 8.08 percent, and the Employees' Retirement System's gains were 7.9 percent in the past 20 years," he said.

Bronner pointed out that he has been investing some of the money in Alabama through industrial development, such as the Mercedes Benz plant in Vance, Wise Alloys in Muscle Shoals and the Robert Trent Jones Golf Trail that is promoted internationally.

"If you're underperforming at a quarter of a percent, that is not much in the world of finance," he said.

Bronner said by investing in Alabama, the economy and quality of life are improved.

"Getting quality companies and quality jobs that will be here for 30 or more years is how you change the quality of life," he said. "People would still be making \$20,000 a year instead of \$40,000 a year in Tuscaloosa if we had not invested in Mercedes Benz. Someone making \$20,000 a year could not afford to send their child to college." ■

## Comparing Compensation

*continued from page one*

edgeable and competitive employers so they can attract and retain a talented and committed workforce. The Center identifies best practices and conducts research on competitive employment practices, workforce development, pensions, retiree health security, and financial planning. The Center also brings state and local leaders together with respected researchers and features the latest demographic data on the aging workforce, research studies, and news on health care, recruitment, and succession planning on its Web site, [www.slge.org](http://www.slge.org). ■

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- January 1-3, 11-17, 29-31

**The Renaissance Riverview Plaza – Mobile – \$89**

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- January 1-16, 20-31

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Call for Tee Times after booking package

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- January 1-16, 20-31

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- December 4-6, 11-12, 18-28
- January 1-7, 15-19, 22-26

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**Opelika Marriott – \$89**

- November 1-3, 6-9, 13-16, 20-24, 27-30
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- January 1-8, 11-31

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- January 1-3, 6-9, 12-18, 21, 27-30

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- November 4-6, 10-11, 18-22, 26-28
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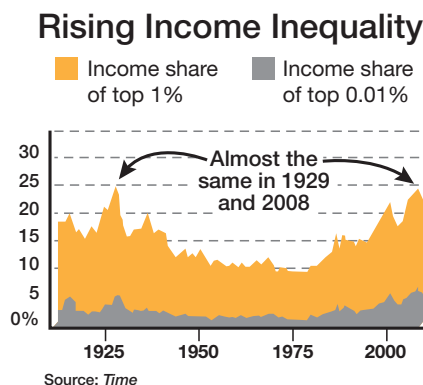
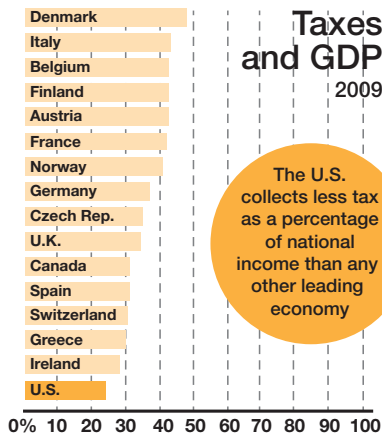
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**Average tax rates paid**

Those making \$500,000 to \$1 million **24%**

Those making \$1 million and up **23%**

The 400 wealthiest **18%** By adjusted gross income, 2008

Source: IRS

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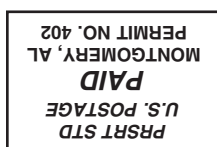
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